

STATEMENT OF SENATOR JOHN McCAIN
CHAIRMAN, SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
FULL COMMITTEE FIELD HEARING ON
AIRLINE COMPETITION AND SERVICE
CHARLESTON, SOUTH CAROLINA
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- Good morning. I would like to welcome everyone to this Commerce Committee field hearing on aviation competition and service. Although much of the hearing will focus on these matters from a South Carolina perspective, this is a matter that affects all Americans. Flying has become an integral part of our lives and businesses. If a community suffers from a lack of adequate service or affordable fares, the economic effects can be devastating.
- Deregulation of the airline industry has been a tremendously positive experience for the vast majority of Americans. Even so, there are still the so-called “pockets of pain” where the benefits of deregulation have fallen short. I know that Charleston is one of these areas. As we will hear from our witness from the General Accounting Office, airfares in Charleston have risen in recent years even while fares have declined for most travelers.
- But the news is not altogether bad for this region. Myrtle Beach in particular has enjoyed a decline in airfares. I believe that this improvement is due in large part to the fact that Myrtle Beach is served by a low-fare, startup airline, Spirit Airlines. Myrtle Beach’s example clearly demonstrates the importance of competition and market entry in our efforts to improve the cost and quality of air service, particularly for smaller communities.
- Unfortunately, significant barriers to entry and competition in the airline industry still exist. Most notably, the federal government is still interfering in several key markets by imposing unfair and outdated restrictions on takeoffs and landings at the airports serving these markets, and on the length of nonstop flights. Federal slot controls govern takeoff and landings at Chicago-O’Hare, Reagan National, and LaGuardia and Kennedy in New York. Because the major airlines have control over most of the slots at these airports, the newer airlines find it difficult to get a foot in the door. Without the ability to serve these critical hub airports, a startup airline has little chance of becoming anything more than a minor player. And as the GAO and the Department of Transportation have confirmed, artificial limitations on takeoffs and landings drive up prices.

- Furthermore, even the major airlines and their affiliates cannot serve many small and medium-sized communities from the slot-controlled airports if access is limited and most slots are reserved for flights to and from the larger markets. I know that the Greenville/Spartanburg community has been limited in its attempts to gain access to O'Hare, as has Savannah/Hilton Head. Mr. Kahan from Spirit Airlines will be able to tell us how important it was for his airline to get slot exemptions to serve LaGuardia from Myrtle Beach, and how his company would like to serve other restricted airports from there, such as Reagan National in Washington.
- To address many of these access and barrier concerns, the Commerce Committee approved legislation last month that would help ease federal slot controls, as well as provide exemptions to the federal perimeter rule at Reagan National. This bill, entitled the Air Transportation Improvement Act, would provide several slot exemptions at Reagan National for service within the 1250-mile perimeter. Communities in this region would benefit from the improved access to Reagan National. In fact, half of the slot exemptions within the perimeter are reserved for so-called under-served communities such as yours.
- There are certainly many other factors that affect service and competition, both here in South Carolina and around the country. Industry consolidation and predatory behavior by the major airlines can have a negative impact on the marketplace. The Commerce Committee, and its Aviation Subcommittee, held several hearings during the last session of Congress to examine these particular issues.
- I hope that our witnesses from the departments of Justice and Transportation will update us on the federal government's efforts to address these serious concerns. If the industry is reduced to a few major airlines that are entrenched in so-called fortress hubs, competition will fade away as the country gets carved up into regions where one major carrier dominates and others resist entering. In addition, the major carriers cannot be allowed to drive new entrants out of markets unfairly by dumping capacity and slashing fares in ways that are not rational. While consumers benefit in the short-run from such tactics, there is a terrible payback when the new entrant leaves and the incumbent carrier raises prices and cuts the number of flights to make up for the revenue lost while driving the competitor out.
- Finally, I would like to thank the Charleston County Airport Authority for its hospitality today. Also, I appreciate the participation of all of our witnesses

today. I look forward to hearing what each of you has to say.